



Biltmore Hats
GUELPH CANADA *Limited*

ANNUAL REPORT

1970

DOBBS



KNOX



Buckley



BROOKS



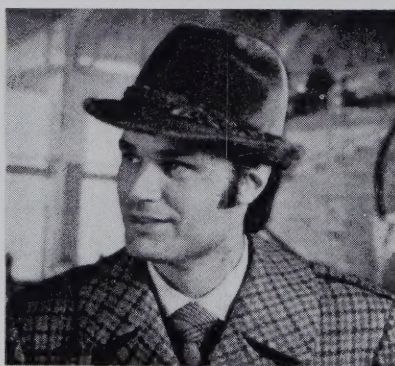
Morgan



Grande Beaver-felts for the golden age of fashion



The Grande Beaver Group is the crowning touch to the Golden Age of Fashion. Rich and plushy, the unique finish would be a credit to old-time hand artisans. Originally — even daringly — styled the shapes are a credit to today's most creative and talented designers. The Grande Beaver Group brings modern day hat-making to a new pinnacle of achievement.



Biltmore Hats
Limited

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Biltmore Hats
GUELPH CANADA *Limited*

Biltmore Hats
GUELPH-CANADA *Limited*

Semi-Annual Report
April 30th 1970

BILTMORE HATS LIMITED

and subsidiary company

CONSOLIDATED STATEMENT OF INCOME SIX MONTHS ENDED APRIL 30, 1970 (with comparative figures for 1969)

	1970	1969
Profit (Loss) for period before the undernoted deductions	\$ (24,534)	\$ 44,604
Directors' fees	1,254	650
Remuneration of executive officers	35,185	32,315
Depreciation and amortization	13,773	15,253
Pension premiums	9,330	11,644
	59,542	59,862
Loss for period	<u>\$ (84,076)</u>	<u>\$ (15,258)</u>

Dear Shareholder:

Your Directors present the Consolidated Statement of Income and the Consolidated Statement of Source and Application of Funds of your company for the six months ending April 30, 1970.

The company normally shows a loss for the first six months as the majority of our shipments take place in the latter half of the fiscal year. However, the results for the first half of this year were particularly affected by increasing pressures on all costs and a slackening of demand at the retail level, especially in January, February and March. As a result, our sales during the past six months are down 18.9% from the corresponding period last year.

It is planned that the last half of the fiscal year will be augmented substantially by the addition of the Stetson sales. As of May 1st, all Stetson headwear will be manufactured and marketed in Canada from Biltmore's plant in Guelph.

A dividend has been declared to be paid July 15th, 1970 at the rate of \$.10 per Common Share and \$.25 per Class A Share to shareholders on record as of June 27, 1970.

On behalf of the Board of Directors

Norman MacMillan, President

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS SIX MONTHS ENDED APRIL 30, 1970 (with comparative figures for 1969)

	1970	1969
SOURCE OF FUNDS		
Operations		
Net loss for period	\$ (84,076)	\$ (15,258)
Add depreciation not involving an outlay of funds	13,773	15,253
	(70,303)	(5)
Sale of fixed assets	—	1,253
	(70,303)	1,248
APPLICATION OF FUNDS		
Additions to fixed assets	1,849	11,041
Increase in cash surrender value of life insurance	2,648	2,648
Investments in securities	—	7,560
Dividends on		
Class "A" shares	20,000	20,000
Common shares	8,000	8,000
	32,497	49,249
DECREASE IN WORKING CAPITAL	(102,800)	(48,001)
WORKING CAPITAL AT BEGINNING OF PERIOD	800,117	843,250
WORKING CAPITAL AT END OF PERIOD	<u>\$697,317</u>	<u>\$795,249</u>

Biltmore Hats

GUELPH CANADA *Limited*

DIRECTORS

WILLIAM F. FRANKE
NORMAN McMILLAN
D. MICHAEL McMILLAN
LEONARD D. GRIFFITHS
JOHN C. RYKERT

GUELPH, ONTARIO
GUELPH, ONTARIO
GUELPH, ONTARIO
TORONTO, ONTARIO
TORONTO, ONTARIO

OFFICERS

WILLIAM F. FRANKE
NORMAN McMILLAN
D. MICHAEL McMILLAN
NORMAN B. IRWIN, C.A.
JOSEPH G. WEIST

CHAIRMAN OF THE BOARD
PRESIDENT
VICE PRESIDENT & SECRETARY
COMPTROLLER
MANUFACTURING MANAGER

REGISTRAR AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY, TORONTO

HEAD OFFICE

139 MORRIS ST.

GUELPH, CANADA

SALES OFFICES

VANCOUVER CALGARY EDMONTON
SASKATOON WINNIPEG
TORONTO OTTAWA
MONTREAL QUEBEC CITY HALIFAX
ST. JOHN'S, Nfld.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

APRIL 2, 1971

The President's Report

TO OUR SHAREHOLDERS

The directors present the Consolidated Balance Sheet, Statement of Income and Retained Earnings, and the Consolidated Statement of Source and Application of Funds of your Company for the year ended October 31st, 1970.

ACQUISITION OF STETSON

On April 30th, 1970, the company acquired the fur felt and straw hat divisions of the John B. Stetson Company (Canada) Limited, and the right to manufacture and market under licence Stetson Headwear for Canada. We have completed the integration of the Stetson operation, and all products are manufactured at the factory in Guelph.

SALES AND EARNINGS

At April 30th, 1970, our sales were off 18.9% for the first six months. With the acquisition of Stetson, this decline in sales was cut to 5.4% by the year-end at October 31st, 1970.

Earnings for the year were \$16,099. as compared to \$61,509. in 1969. The earnings of the company were adversely affected by the decline in sales. Also, manufacturing costs increased as a result of wage increases, overtime charges incurred to fill orders manufactured late in the fiscal year due to the Stetson acquisition, and the use of the inventory purchased from Stetson to fill many of the orders.

Our sales of hat bodies increased during the year. Since the profit margin is less on this product line than on others, this shift in the product mix also adversely affected our gross profit.

DIVIDENDS

Dividends of \$1.00 per share on the Class A and .40 per share on the Common were paid during the year.

FINANCIAL

The company's working capital increased by \$50,262. during the year largely as a result of the method of payment for assets purchased from Stetson. The investment in inventory decreased by 16.5% during the year in spite of the acquisition of Stetson, and we plan further decreases during 1971.

FIRST QUARTER 1971

In the first three months of fiscal 1971, our shipments were up 31.4% over the same period in 1970. Marketing plans have been finalized for Fall 1971, our most important selling period. In an effort to increase our profitability, selected price increases have been made and our profitable products are being emphasized. Also we are reviewing the complete manufacturing operation of the company, attempting to improve efficiency.

PRODUCT LINE

In an all-out effort to re-new interest by the consumer in men's headwear, Biltmore is presenting many new fashions in fur felt hats for Fall 1971. The company also has a very contemporary range of tweed and fur pile hats. We believe that your company's product range is unequalled either in North America or abroad.

GENERAL

We extend our appreciation for the support and co-operation of our co-workers as well as thousands of retailers from coast to coast.

On Behalf of the Board of Directors
N. McMillan, President.

WINSPEAR, HIGGINS, STEVENSON AND DOANE

CHARTERED ACCOUNTANTS

36 TORONTO STREET
TORONTO 1, CANADA

AUDITOR'S REPORT

To the Shareholders of
Biltmore Hats Limited:

We have examined the consolidated balance sheet of Biltmore Hats Limited and its wholly owned subsidiary as at October 31, 1970 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 13, 1971.

Winspear, Higgins, Stevenson and Doane
Chartered Accountants



Biltmore Hats

GUELPH CANADA *Limited*

AND ITS WHOLLY OWNED SUBSIDIARY

CONSOLIDATED BALANCE SHEET

(WITH COMPARATIVE FIGURES)

ASSETS

CURRENT

	1970	1969
Receivables (Note 1)	1,391,150	1,121,566
Inventories (Note 2)	631,750	756,472
Prepaid expenses	15,248	11,182
	<u>2,038,148</u>	<u>1,889,220</u>

OTHER

Life insurance, cash surrender value	41,025	35,383
Investments, at cost (no quoted market value)	14,240	14,240
	<u>55,265</u>	<u>49,623</u>

LAND, BUILDING AND EQUIPMENT (Note 3)

Cost	1,311,878	1,278,240
Less Accumulated depreciation	975,310	941,579
	<u>336,568</u>	<u>336,661</u>

GOODWILL — at cost	10,000	10,000
	<u>2,439,981</u>	<u>2,285,504</u>

Approved on behalf of the Board of Directors

N. McMILLAN, Director.

D. M. McMILLAN, Director.

SHEET, OCTOBER 31, 1970

ATIVE FIGURES)

LIABILITIES

CURRENT

	1970	1969
Bankers' advances (Note 4)	810,094	722,461
Payables and accruals (Note 5)	289,310	281,945
Taxes other than income	88,365	84,697
	<u>1,187,769</u>	<u>1,089,103</u>

LONG-TERM

Owing on purchase of assets (Note 6)	95,712	
	<u>1,283,481</u>	<u>1,089,103</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized		
50,000 cumulative preferred \$1.00 dividend non-redeemable participating Class "A" shares without par value		
50,000 common shares without par value		
Issued and outstanding		
40,000 Class "A" shares and		
40,000 common shares	85,475	85,475

RETAINED EARNINGS	1,071,025	1,110,926
	<u>1,156,500</u>	<u>1,196,401</u>
	<u>2,439,981</u>	<u>2,285,504</u>

See notes to consolidated financial statements.



Biltmore Hats Limited

GUELPH

CANADA

AND ITS WHOLLY OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED OCTOBER 31, 1970
(with comparative figures)

	1970	1969
Sales	2,517,775 ✓	2,654,481 ✓
Cost of sales excluding depreciation	1,828,501	1,857,487
Other expenses (Note 7)	632,443	658,807
Depreciation	33,732	31,678
	2,494,676	2,547,972
Net income before taxes	23,099	106,509
Income taxes	7,000	45,000
NET INCOME FOR THE YEAR	16,099 ✓	61,509 ✓
Retained earnings at beginning of year	1,110,926	1,114,417
Adjustment of prior year's income taxes		9,000
Retained earnings as restated	1,110,926	1,105,417
	1,127,025	1,166,926
Dividends		
Class "A"	40,000	40,000
Common	16,000	16,000
	56,000	56,000
RETAINED EARNINGS AT END OF YEAR	<u>1,071,025</u>	<u>1,110,926</u>

See notes to consolidated financial statements.



Biltmore Hats Limited

GUELPH CANADA

AND ITS WHOLLY OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED OCTOBER 31, 1970
(with comparative figures)

SOURCE

	1970	1969
Operations		
Net income for the year	16,099	61,509
Add: Depreciation which does not involve a current outlay of funds	33,732	31,678
Funds from operations	49,831	93,187
Sale of fixed assets	3,525	1,252
Increase in long term liabilities	95,712	
	<u>149,068</u>	<u>94,439</u>

APPLICATION

Purchase of fixed assets	37,164	18,542
Payment of dividends		
Class "A" shares	40,000	40,000
Common shares	16,000	16,000
Reduction of long term debt		50,000
Increase in life insurance cash surrender value	5,642	5,470
Increase in investments		7,560
	<u>98,806</u>	<u>137,572</u>

INCREASE (DECREASE) IN WORKING CAPITAL	50,262	(43,133)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>800,117</u>	<u>843,250</u>
WORKING CAPITAL AT END OF YEAR	<u><u>850,379</u></u>	<u><u>800,117</u></u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 1970

	1970	1969
1. Receivables		
Trade	1,329,672	1,087,203
Other	29,464	33,492
Claim for refund of income taxes	32,014	
Special refundable tax		871
	<u>1,391,150</u>	<u>1,121,566</u>

2. Inventories — at the lower of cost and market		
Materials and supplies	240,827	319,402
In process	183,078	210,826
Finished	207,845	226,244
	<u>631,750</u>	<u>756,472</u>

3. Land, building and equipment

	1 9 7 0		1969	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	1,850		1,850	1,850
Building	423,684	166,869	256,815	269,191
Machinery and equipment	868,349	798,227	70,122	55,153
Automotive equipment	15,320	9,679	5,641	8,059
Leasehold equipment	2,675	535	2,140	2,408
	<u>1,311,878</u>	<u>975,310</u>	<u>336,568</u>	<u>336,661</u>

4. Bankers' advances

	1970	1969
Demand loan	700,000	620,000
Operating account — credit balance	110,094	52,461
Current portion of capital loan payable within one year		50,000
	<u>810,094</u>	<u>722,461</u>

5. Payables and accruals

	1970	1969
Trade payables	128,344	187,840
Due to salesmen	17,437	8,682
Other accruals	109,807	85,423
Current portion of notes payable	33,722	
	<u>289,310</u>	<u>281,945</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 1970

6. Owing on purchase of assets

J.B.S. Enterprises Limited formerly John B. Stetson Company
(Canada) Limited

Non-interest bearing note maturing in equal annual instalments to April, 1980	27,000
Cash due on closing	12,348
Balance of purchase price to be covered by 8½% (or prime bank rate if lower) note due in 24 equal monthly instalments May 1, 1971 to April 1, 1973	74,696
Purchase amount to be covered by non-interest bearing note due April, 1973	15,390
	<hr/> 129,434
Less: Current portion included in payables and accruals	33,722
	<hr/> <hr/> 95,712

The purchase agreement dated April 9, 1970 provides for payment of the amount of \$12,348 "within 30 days after the date of final delivery"; payment has been withheld pending approval of certain provisions relating to the notes to be given for the balances as referred to above.

7. Remuneration paid or payable to directors and senior officers was \$89,150 (1969 \$91,200) for the year which included \$53,428 (1969 \$56,529) received by directors as directors and officers.

The Company has entered into an agreement with a director and senior officer to retain him as consultant following his retirement from the Company, expected to take place in September, 1972. Under the agreement, the Company will pay an annual consulting fee of \$8,356 (\$12,000 until September, 1972, in the event of early retirement) for a guaranteed term of five years and thereafter during his lifetime.

REPORTS TO THE UNITED STATES DEPARTMENT OF JUSTICE

RECEIVED OCTOBER 27 1964

THE UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D. C. 20530

TO THE ATTORNEY GENERAL
FROM THE DIRECTOR

RE: [Illegible]

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Biltmore Hats
Limited



